



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

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August 29, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**EXERCISE OF SEVEN-YEAR OPTION TO EXTEND LEASE NO. 72145
DEPARTMENT OF MENTAL HEALTH
19231 VICTORY BOULEVARD, RESEDA
(THIRD DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Exercise the option to extend the term of the current lease with JD Investments, LP (Lessor) for an additional seven years commencing upon the expiration of the current term on February 23, 2007, and ending seven years thereafter. The lease is for 8,085 rentable square feet and 32 parking spaces. The initial annual cost will not exceed \$131,039 which is fully funded with State and Federal funds.
2. Find that the exercise of the option is exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061(b)(3) of the State CEQA Guidelines.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since February 2000, the County has leased the subject premises for use by 32 staff of the Department of Mental Health (DMH), Valley Coordinated Children's Services program. The current lease is due to expire on February 23, 2007. This location meets the on-going operational and program needs of the department and they have requested the lease for this location to be renewed. Approval of the proposed exercise will provide DMH with the necessary space to continue the program operations serving the western San Fernando Valley without interruption.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide the public with quality services that are both beneficial and responsive (Goal 1). The County's provision of mental health services to the children of San Fernando Valley is consistent with this goal.

FISCAL IMPACT/FINANCING

The lease term and the new rental rate will be effective upon the expiration of the current lease term on February 23, 2007. The table below shows a brief comparison between the current lease and the proposed option.

| Valley Children's Services 19231 Victory Boulevard | Current Lease | Proposed Option | Difference |
|---|--|---|------------------------------------|
| Premised Area | 8,085 square feet | 8,085 square feet | None |
| Annual Rent | \$127,304 | \$131,039* | + \$3,735 |
| Annual Cost per Square Foot | \$15.75 | \$16.21 | + \$0.46 |
| Term | 7 years, from 2/24/00 to 2/23/07, plus seven years option at same terms and conditions | 7 years, from 2/24/07 to 2/24/14 | 7 years |
| Rental Adjustments | Annually, based on the CPI with a cap of 3.5%, not to exceed \$311.27 per month, or \$3,735 annually | Annually, based on the CPI with a cap of 3.5%, not to exceed \$311.27 per month | None |
| Cancellation | Anytime after 42 nd month of original term | Anytime during the option period | Cancellation right is now on-going |
| Parking | 32 parking spaces | 32 parking spaces | None |

* The annual rent shown herein assumes that the CPI will reach the cap of 3.5%.

Sufficient funding for the proposed option is included in the 2006-07 Rent Expense Budget and will be billed back to DMH. Sufficient funding is available in DMH budget to cover the costs of the proposed option. The rental costs for DMH is fully funded through State and Federal sources, and is included in DMH's 2006-07 adopted budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed option to extend the lease term for the 8,085 rentable square feet of office/clinic space together with 32 parking spaces will maintain the current lease terms, conditions and rental rate for an additional seven-year term and will have the following terms:

- The term will commence on February 24, 2007, and terminate on February 23, 2014.
- An annual rental rate of \$127,304 on a full service gross basis, whereby Lessor is responsible for all repairs and maintenance costs associated with County's occupancy of the premises.
- The rental rate is subject to annual adjustment pursuant to the Consumer Price Index with a cap of three and one half percent (3.5%) annually. The adjustment is due on March 1, 2007. Assuming the maximum increase pursuant to the lease the new annual rent will be \$131,039, effective March 1, 2007.
- A termination provision exercisable by the County upon 60 days written notice to the Lessor any time after the forty second month of the option period.

The Chief Administrative Office (CAO) Real Estate Division staff surveyed the immediate area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could suitably accommodate this requirement. Based upon said survey, staff has established that the annual rental rates for similar space range between \$17.40 and \$21.00 per square foot on a full service gross basis. Thus, the annual rental rate of \$16.21 represents a rate below the market range for the area due to the favorable option terms under the existing lease.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

In accordance with your Board's policy on the housing of any County offices or activities, DMH concurs with the recommendation to exercise this option.

The Honorable Board of Supervisors
August 29, 2006
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NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

A Negative Declaration was originally filed for this project in May 1999 and was adopted by the Board in June 8, 1999. The CAO staff has made a Preliminary Review of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061(b) (3) of the State CEQA Guidelines.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two adopted, stamped Board letter, and two certified copies of the Minute Order to the CAO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,


DAVID E. JANSSEN
Chief Administrative Officer

DEJ:WLD:CEM
MS:hd

Attachment

c: County Counsel
Auditor-Controller
Mental Health

Asset Management Principles Compliance Form¹

| | | | | | |
|----|---|---|-----|----|-----|
| 1. | Occupancy | | Yes | No | N/A |
| | A | Does lease consolidate administrative functions? ² | | | X |
| | B | Does lease co-locate with other functions to better serve clients? ² | | | X |
| | C | Does this lease centralize business support functions? ² | | | X |
| | D | Does this lease meet the guideline of 250 sq. ft of space per person? ² The ratio is 252 square feet per person. | X | | |
| 2. | Capital | | | | |
| | A | Is it a substantial net County cost (NCC) program? | | X | |
| | B | Is this a long term County program? | X | | |
| | C | If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy? | | X | |
| | D | If no, are there any suitable County-owned facilities available? | | X | |
| | E | If yes, why is lease being recommended over occupancy in County-owned space? | | | X |
| | F | Is Building Description Report attached as Attachment B? | X | | |
| | G | Was build-to-suit or capital project considered? Due to the limited size of the program and the availability of lease space, a built to suit is not recommended. | | X | |
| 3. | Portfolio Management | | | | |
| | A | Did department utilize CAO Space Request Evaluation (SRE)? | X | | |
| | B | Was the space need justified? | X | | |
| | C | If a renewal lease, was co-location with other County departments considered? | | X | |
| | D | Why was this program not co-located? | | | X |
| | | 1. ____ The program clientele requires a "stand alone" facility. | | | |
| | | 2. <u>X</u> No suitable County occupied properties in project area. | | | |
| | | 3. <u>X</u> No County-owned facilities available for the project. | | | |
| | | 4. ____ Could not get City clearance or approval. | | | |
| | | 5. ____ The Program is being co-located. | | | |
| | E | Is lease a full service lease? ² | X | | |
| | F | Has growth projection been considered in space request? | X | | |
| | G | Has the Dept. of Public Works completed seismic review/approval? | | | X |
| | ¹ As approved by the Board of Supervisors 11/17/98 | | | | |

²If not, why not?

Attachment B

**DEPARTMENT OF MENTAL HEALTH
SPACE SEARCH - 5 – MILE RADIUS OF 19231 VICTORY BOULEVARD, RESEDA**

| LAOO | FACILITY NAME | ADDRESS | SQUARE FEET | | OWNERSHIP | SQUARE FEET AVAILABLE |
|------|--|---------------------------------------|-------------|--------|-----------|-----------------------|
| | | | GROSS | NET | | |
| A503 | DPSS-WEST VALLEY CALWORKS/GAIN REG II PROGRAM | 21415 PLUMMER ST, CHATSWORTH 91311 | 97280 | 87552 | LEASED | NONE |
| A504 | DPSS-WEST VALLEY CALWORKS/IHSS PROGRAM OFFICE | 21615 PLUMMER ST, CHATSWORTH 91311 | 67220 | 60498 | LEASED | NONE |
| A624 | BOS-FIELD OFFICE DISTRICT 5 | 21943 PLUMMER ST, CHATSWORTH | 2550 | 2423 | LEASED | NONE |
| A362 | DPSS-CANOGA PARK REGIONAL MEDICAL OFFICE | 9035 CANOGA AVE, CANOGA PARK 91304 | 44835 | 32052 | LEASED | NONE |
| X165 | CHATSWORTH COURTHOUSE | 9425 PENFIELD AVE, CHATSWORTH 91311 | 302435 | 165247 | FINANCED | NONE |
| 5872 | DHS-CANOGA PARK HEALTH CENTER (P/PP SITE) | 7107 REMMET AVE, CANOGA PARK 91303 | 5308 | 3094 | OWNED | NONE |
| A213 | DHS-NORTH DISTRICT HEALTH FACILITIES OFFICE | 15643 SHERMAN WAY, VAN NUYS 91406 | 3712 | 3600 | LEASED | NONE |
| A145 | CHILD SUPPORT SERVICES DIVISION I HEADQUARTERS | 15531 VENTURA BLVD, ENCINO 91436-3157 | 45775 | 30602 | LEASED | NONE |